

VERSATA SOFTWARE, INC. v. CALLIDUS SOFTWARE, INC., Appeal No. 2014-1468
(Fed. Cir. November 20, 2014). Before Chen, Mayer, and Linn. Appealed from D. Del.
(Judge Robinson). (Grant Of Motion To Stay Litigation)

Background:

Plaintiff sued Defendant for infringement of three patents. Thereafter, Defendant petitioned the PTAB for a covered business method ("CBM") review of all claims in one patent and only some claims in the other two patents. After the PTAB granted the CBM review for all three patents, Defendant moved for a stay of litigation on all three patents. The district court denied the motion to stay as to the two patents where only some claims were under CBM review. Defendant appealed the denial.

Issue/Holding:

Did the district court err in not granting a stay of litigation even though some of the asserted dependent claims were not the subject of an instituted CBM review at the time of the filing of the motion for stay? Yes, reversed.

Discussion:

The Federal Circuit reiterated the four factors of AIA §18(b)(1) when deciding whether to grant a stay of litigation: (A) whether a stay will simplify the issues in litigation; (B) stage of litigation; (C) undue prejudice to nonmoving party or clear tactical advantage for moving party; and (D) whether a stay will reduce the burden of litigation on the parties and the court.

In this case, the simplification factor (i.e., factor A) was the focus of this case. Defendant argued that a CBM review would simplify at least some of the issues of the suit, even if it did not eliminate them all. However, Plaintiff contended (and the district court agreed) that because the PTAB will only address patentable subject matter on a handful of claims, leaving the rest of the issues to the district court, there would not be any simplification.

The Federal Circuit agreed with Defendant and found that, while simplification more heavily favors a stay of litigation when all claims are included, "[s]tays can be warranted even when a CBM proceeding does not address all asserted patents, claims, or invalidity defenses." The Federal Circuit also disagreed with the district court's categorical rule disfavoring a stay of litigation when any of the claims asserted in litigation were not also challenged in the CBM review. Lastly, the court emphasized that "a proper simplification analysis would look to what would be resolved by the CBM versus what would remain."

Regarding factors B-D, the Federal Circuit stated that these factors were also in favor of granting the stay of litigation. For factor B, the Federal Circuit reiterated that the stage of the litigation as of the date of filing of the motion is most relevant, but called it "entirely appropriate" to wait for the PTAB's decision on institution and not "ignore advances in the litigation" up to that date. Regarding factor C, the Federal Circuit stated that the Defendant's non-frivolous motions to transfer and dismiss for failure to state a claim did not constitute "undue prejudice" or "clear tactical advantage" as litigants are "within their rights" to use these tools in litigation. For factor D, the Federal Circuit stated that the burden of the court and the parties is reduced by granting the stay of litigation.

Thus, the Federal Circuit reversed the district courts holding.